



Across-the-Board Reductions

On October 8, 2009, Governor Culver issued Executive Order 19 requiring a 10.0% across-the-board reduction to all FY 2010 General Fund appropriations. This represents a reduction of \$564.4 million and is the largest reduction in recent history. The Executive Order was issued in response to revised revenue estimates adopted by the Revenue Estimating Conference (REC) on October 7, 2009. The REC lowered the FY 2010 estimate by 7.1% (\$414.9 million) from its previous estimate set in March of 2009.

Section 8.31, Code of Iowa, states that if the Governor determines that the estimated budget resources during the fiscal year are insufficient to pay all appropriations in full, the reductions shall be uniform and prorated between all departments, agencies, and establishments upon the basis of their respective appropriations. Since 1980, Iowa Governors have issued ten executive orders directing across-the-board budget reductions of the State's General Fund budget due to mid-year projected shortfalls. Over this period, the reductions have ranged from a low of 0.62% in FY 1992 to the most recent 10.0% in FY 2010. The dollar reductions have ranged from a low of \$18.4 million in FY 1981 to a high of \$564.4 million in FY 2010. Two fiscal years (FY 1981 and FY 1992), there were two across-the-board reductions issued in order to maintain a balanced budget. Conversely, during FY 2004, Governor Vilsack issued an executive order that rescinded an earlier 2.5% across-the-board reduction by 10.0%. The following provides a summary of the Governors' Executive Orders since 1980.

Governor Ray implemented two across-the-board reductions during FY 1981 due to declining revenues and increasing expenditures. Iowa was suffering from economic downturn due to the farm crisis, high interest rates, and losses in manufacturing jobs. A 3.6% reduction was ordered in August 1980 with a second reduction of 1.0% ordered in December of that same year. Together these across-the-board cuts reduced appropriations by an estimated \$84.5 million.

Governor Branstad issued a total of four across-the-board reductions during fiscal years 1984, 1986, and 1992. The reductions were in response to declining tax revenues largely related to the depressed agricultural economy and a national recession. In FY 1992, the Governor ordered a 3.25% reduction in July 1991 and an additional reduction of 0.62% in April 1992. Together, these cuts reduced FY 1992 appropriations by an estimated \$127.0 million.

Governor Vilsack ordered an across-the-board reduction of 4.3% in FY 2002 that reduced State appropriations by an estimated \$200.0 million. The reduction was in response to a sharp decline in tax revenues brought on by a downturn in the national economy and further exacerbated by the events of September 11, 2001. In FY 2004, the Governor ordered a 2.5% across-the-board reduction resulting in a cut of \$82.5 million. The Executive Order cited the following reasons for the reduction: a drop in corporate income tax receipts, significant increases in tax refunds, and the State Auditor's determination that accelerated insurance premium tax collections could not be counted as receipts in the current fiscal year. On June 25, 2004, Governor Vilsack issued Executive Order 34 that reduced the 2.5% across-the-board reduction by 10.0% and added back \$8.3 million to the FY 2004 appropriations.

Governor Culver ordered a 1.5% across-the-board reduction for FY 2009 in December 2008. This resulted in a reduction of \$89.1 million to FY 2009 appropriations. The Executive Order cited events causing the downturn in the national economy and the natural disasters in 2008 as reasons for the decline in State tax revenues. The table to the right summarizes the across-the-board reductions implemented since 1980.

| Executive Order | Budget Year | Governor | % Reduction | Estimated Dollar Reduction |
|-----------------|-------------|----------|-------------|----------------------------|
| #38 | FY 1981 | Ray | 3.60% | \$66.1M |
| #40 | FY 1981 | Ray | 1.00% | \$18.4M |
| #4 | FY 1984 | Branstad | 2.80% | \$56.9M |
| #19 | FY 1986 | Branstad | 3.85% | \$85.2M |
| #42 | FY 1992 | Branstad | 3.25% | \$107.2M |
| #43 | FY 1992 | Branstad | 0.62% | \$19.8M |
| #24 | FY 2002 | Vilsack | 4.30% | \$200.0M |
| #31 | FY 2004 | Vilsack | 2.50% | \$82.5M * |
| #10 | FY 2009 | Culver | 1.50% | \$89.1M |
| #19 | FY 2010 | Culver | 10.00% | \$564.4M |

* Governor Vilsack issued Executive Order 34 on June 25, 2004, that rescinded 10% of the across-the-board reduction issued in Executive Order 31. This action added back \$8.3 million in State General Fund appropriations.

More Information

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 Executive Orders available at: <http://www.statelibraryofiowa.org/services/law-library/govexecorders>

Across-the-Board Reductions

Executive Orders implementing across-the-board reductions are typically issued in the first half of the fiscal year before the General Assembly is in Session. Often, the General Assembly will alter agencies' budgets for the fiscal year in progress by enacting supplemental appropriations and deappropriations. For FY 2009, the Governor's 1.5% across-the-board reduction was effective on December 22, 2008, and totaled \$89.1 million. During the 2009 Legislative Session, the General Assembly enacted four bills that changed the FY 2009 appropriations.

- House File 414 (FY 2009 Budget Adjustment Act) included \$30.3 million in deappropriations and \$17.3 million in supplemental appropriations. The majority of the \$30.3 million in deappropriations were additional reductions to State agencies' operating budgets that were in addition to the 1.5% across-the-board reduction.
- House File 811 (FY 2010 Health and Human Services Appropriations Act) deappropriated \$52.0 million from the Medicaid Program. These funds were replaced with federal stimulus funds.
- House File 820 (FY 2010 Federal Funds Appropriations Act) deappropriated \$40.0 million from the FY 2009 School Aid appropriation and replaced the funds with \$40.0 million of federal stimulus funds.
- Senate File 478 (FY 2010 Standing Appropriations Act) made supplemental appropriations totaling \$3.5 million.

The following table provides a summary of how State programs were affected by the Governor's 1.5% across-the-board reduction and funding adjustments made during the 2009 Legislative Session. The table lists the 20 largest State agencies and programs. The last column shows the percent change of the final year-end appropriation amount (including federal stimulus funds) to the original appropriation that was available at the start of the fiscal year. This illustrates the changes that the appropriations undergo after an across-the-board reduction is implemented. Many appropriations end up taking larger percentage reductions to provide increases for other programs or to provide less of a reduction for certain programs. Additionally, the reductions to the School Foundation Aid and Medical Assistance appropriations were offset with federal stimulus funds in FY 2009.

The following is an explanation of the table's columns:

- Original Approp. – Represents the original appropriation at the beginning of the fiscal year.
- 1.5% ATB – The Governor's across-the-board reduction.
- Deapprop. – Deappropriations that were enacted in HF 414, HF 811, and HF 820.
- Supp. Approp. – Supplemental appropriations included in HF 414 and SF 478.
- Adjust. to Standings – The adjustments represent year-end reconciliation of standing unlimited appropriations in accordance with Iowa statute.
- Total Gen. Fund Approp. – Represents the sum of the previous five columns.
- Federal Stimulus – These are the federal stimulus funds that were received to offset reductions in education and Medicaid.
- Total Approp. w/ Fed Funds – This is the sum of the total General Fund appropriation and the federal stimulus funds.
- Total Change – This compares the total General Fund appropriation (including federal stimulus funds) with the original appropriation.
- Percent Change – Total Change divided by the original appropriation.

| FY 2009 General Fund Appropriations | | | | | | | | | | |
|--|---------------------|-----------------|------------------|------------------|-------------------------|-------------------------------|---------------------|----------------------------------|-----------------|-------------------|
| (Dollars in Millions) | | | | | | | | | | |
| | Original Approp. | 1.5% ATB | Deapprop. | Supp. Approp. | Adjust. to Standings | Total Gen. Fund Approp. | Federal Stimulus | Total Approp. w/ Fed Funds | Total Change | Percent Change |
| School Foundation Aid | \$ 2,224.4 | \$ -33.4 | \$ -40.0 | \$ 0.0 | \$ 4.8 | \$ 2,155.8 | \$ 40.0 | \$ 2,195.8 | \$ -28.6 | -1.3% |
| Board of Regents | 701.7 | -10.5 | -7.0 | 0.0 | 0.0 | 684.2 | 0.0 | 684.2 | -17.5 | -2.5% |
| Department of Education | 651.1 | -9.3 | -0.6 | 0.6 | 0.0 | 641.7 | 0.0 | 641.7 | -9.4 | -1.4% |
| Medical Assistance | 649.6 | -9.7 | -52.0 | 0.0 | 0.0 | 587.9 | 114.0 | 701.9 | 52.2 | 8.0% |
| Department of Human Services | 641.6 | -9.9 | -3.9 | 2.6 | -0.2 | 630.2 | 0.0 | 630.2 | -11.4 | -1.8% |
| Department of Corrections | 372.7 | -5.6 | -7.4 | 5.6 | -0.1 | 365.2 | 0.0 | 365.2 | -7.5 | -2.0% |
| Judicial Branch | 155.8 | 0.0 | -3.8 | 0.8 | 0.0 | 152.8 | 0.0 | 152.8 | -3.0 | -1.9% |
| Health Care Trust Fund | 127.6 | -1.9 | 0.0 | 0.0 | 0.0 | 125.7 | 0.0 | 125.7 | -1.9 | -1.5% |
| Department of Public Safety | 90.8 | -1.4 | -1.8 | 1.4 | 0.0 | 89.0 | 0.0 | 89.0 | -1.8 | -2.0% |
| Department of Inspections and Appeals | 70.3 | -1.1 | -0.7 | 2.3 | 0.0 | 70.8 | 0.0 | 70.8 | 0.6 | 0.8% |
| College Aid Commission | 69.8 | -1.0 | 0.0 | 0.0 | 0.0 | 68.8 | 0.0 | 68.8 | -1.0 | -1.5% |
| Property Tax Credit Fund | 44.4 | -0.7 | 0.0 | 0.0 | 0.0 | 43.7 | 0.0 | 43.7 | -0.7 | -1.5% |
| Legislative Branch | 37.1 | 0.0 | -1.0 | 0.0 | -1.2 | 35.0 | 0.0 | 35.0 | -2.2 | -5.9% |
| Department of Revenue | 29.5 | -0.5 | -0.6 | 0.0 | 0.0 | 28.5 | 0.0 | 28.5 | -1.0 | -3.4% |
| Department of Public Health | 28.1 | -0.4 | -0.3 | 1.0 | 0.0 | 28.3 | 0.0 | 28.3 | 0.3 | 1.0% |
| Office of Energy Independence | 25.0 | -0.4 | 0.0 | 0.0 | 0.0 | 24.6 | 0.0 | 24.6 | -0.4 | -1.5% |
| Department of Ag and Land Stewardship | 22.0 | -0.3 | -0.4 | 0.0 | 0.0 | 21.3 | 0.0 | 21.3 | -0.8 | -3.4% |
| Department of Natural Resources | 21.9 | -0.3 | -0.4 | 6.0 | 0.0 | 27.1 | 0.0 | 27.1 | 5.3 | 24.1% |
| Iowa Workforce Development | 20.4 | -0.3 | -0.4 | 0.3 | 0.0 | 20.0 | 0.0 | 20.0 | -0.4 | -2.0% |
| Department of Economic Development | 18.1 | -0.3 | -0.3 | 0.0 | 0.0 | 17.5 | 0.0 | 17.5 | -0.6 | -3.3% |
| Department of Veteran's Affairs | 16.8 | -0.3 | -0.3 | 0.0 | 0.0 | 16.2 | 0.0 | 16.2 | -0.6 | -3.8% |
| All Other State Agencies & Programs | 112.2 | -1.7 | -1.5 | 0.3 | 15.3 | 124.6 | 0.0 | 124.6 | 12.4 | 11.1% |
| Total | \$ 6,130.9 | \$ -89.1 | \$ -122.3 | \$ 20.8 | \$ 18.6 | \$ 5,958.9 | \$ 154.0 | \$ 6,112.8 | \$ -18.1 | -0.3% |

Note: Numbers may not equal totals due to rounding.

Across-the-Board Reductions

The Governor's across-the-board reduction on October 8, 2009, cut \$564.4 million from the FY 2010 appropriations. The Governor does not have the statutory authority to issue across-the-board reductions to the Legislative and Judicial Branches. Historically, the Legislative and Judicial Branches have reduced their budgets during years of an across-the-board reduction. During the week of October 12, the Legislative and Judicial Branches announced 10.0% reductions to their FY 2010 budgets. This results in reductions of \$3.3 million and \$16.0 million respectively.

For FY 2010, Iowa has received an estimated \$581.4 million in federal stimulus funds. The funds have been used to offset reductions to various programs due to budget reductions enacted during the 2009 Legislative Session. The majority of the federal stimulus funds (\$413.6 million) are being directed to school districts and Medicaid. The following table shows the effect of the across-the-board reduction on the largest General Fund programs and agencies and the impact that the federal stimulus funds have on the budgets. As in previous fiscal years, it is likely that the General Assembly will adjust the FY 2010 appropriations through the supplemental and deappropriation process.

The table below compares the FY 2010 appropriations with FY 2009 after budget adjustments and federal stimulus funds have been taken into account. After the 10.0% budget reduction, total appropriations for FY 2010 have decreased \$346.9 million (5.7%) compared to FY 2009.

The following is an explanation of the table's columns:

- FY 2009 Approp. w/ Fed Funds – This is the FY 2009 General Fund appropriation plus federal stimulus funds.
- Original Approp. – Represents the original FY 2010 appropriation at the beginning of the fiscal year.
- Other Reductions – Represents the 10.0% reduction to the Legislative and Judicial Branch budgets.
- 10.0% ATB – The Governor's FY 2010 across-the-board reduction.
- Net Gen. Fund Approp. – Represents the sum of the previous three columns.
- Federal Stimulus – These are the federal stimulus funds that were received to offset State budget reductions for FY 2010.
- Total Approp. w/ Fed Funds – This is the sum of the FY 2010 Net General Fund appropriations and the federal stimulus funds.
- FY 2010 vs FY 2009 – This compares the total FY 2010 General Fund appropriation (including federal stimulus funds) with the FY 2009 appropriations.
- Percent Change – Represents the percent change between FY 2009 and FY 2010.

Comparison of FY 2010 General Fund Appropriations after Adjustments

(Dollars in Millions)

| | FY 2009 Approp. w/ Fed Funds | FY 2010 Appropriations and Adjustments | | | | | | FY 2010 vs FY 2009 | Percent Change |
|---------------------------------------|------------------------------------|--|---------------------|------------------|-----------------------------|---------------------|---------------------------------|-----------------------|-------------------|
| | | Original Approp. | Other Reductions | 10.0% ATB | Net Gen. Fund Approp. | Federal Stimulus | Total Approp w/ Fed Funds | | |
| School Foundation Aid | \$ 2,195.8 | \$ 2,385.0 | | \$ -238.5 | \$ 2,146.5 | \$ 202.5 | \$ 2,349.0 | \$ 153.2 | 7.0% |
| Board of Regents | 684.2 | 598.1 | | -59.8 | 538.3 | 80.3 | 618.5 | -65.7 | -9.6% |
| Department of Education | 641.7 | 269.5 | | -27.3 | 242.2 | 40.7 | 282.9 | -358.8 | -55.9% |
| Medical Assistance (Medicaid) | 701.9 | 681.9 | | -71.9 | 610.1 | 211.1 | 821.2 | 119.4 | 17.0% |
| Department of Human Services | 630.2 | 582.3 | | -60.2 | 522.2 | 28.0 | 550.1 | -80.1 | -12.7% |
| Department of Corrections | 365.2 | 356.6 | | -35.7 | 320.9 | 14.0 | 334.9 | -30.3 | -8.3% |
| Judicial Branch | 152.8 | 160.2 | -16.0 | 0.0 | 144.2 | 0.0 | 144.2 | -8.6 | -5.6% |
| Health Care Trust Fund | 125.7 | 117.8 | | -11.8 | 106.0 | 0.0 | 106.0 | -19.7 | -15.6% |
| Department of Public Safety | 89.0 | 89.0 | | -8.9 | 80.1 | 0.8 | 80.8 | -8.1 | -9.1% |
| Department of Inspections and Appeals | 70.8 | 61.4 | | -6.1 | 55.3 | 0.4 | 55.7 | -15.2 | -21.4% |
| College Aid Commission | 68.8 | 63.7 | | -6.3 | 57.4 | 0.0 | 57.4 | -11.4 | -16.6% |
| Property Tax Credit Fund | 43.7 | 101.4 | | -10.1 | 91.3 | 0.0 | 91.3 | 47.5 | 108.7% |
| Legislative Branch | 35.0 | 33.4 | -3.3 | 0.0 | 30.1 | 0.1 | 30.2 | -4.7 | -13.6% |
| Department of Revenue | 28.5 | 25.4 | | -2.5 | 22.9 | 0.0 | 22.9 | -5.6 | -19.7% |
| Department of Public Health | 28.3 | 53.6 | | -5.4 | 48.2 | 3.0 | 51.2 | 22.9 | 80.6% |
| Office of Energy Independence | 24.6 | 24.0 | | -2.4 | 21.6 | 0.0 | 21.6 | -3.0 | -12.3% |
| Department of Ag and Land Stewardship | 21.3 | 18.7 | | -1.9 | 16.9 | 0.0 | 16.9 | -4.4 | -20.8% |
| Department of Natural Resources | 27.1 | 17.7 | | -1.8 | 16.0 | 0.0 | 16.0 | -11.2 | -41.2% |
| Iowa Workforce Development | 20.0 | 19.6 | | -2.1 | 17.5 | 0.0 | 17.5 | -2.4 | -12.2% |
| Department of Economic Development | 17.5 | 15.9 | | -1.9 | 14.0 | 0.0 | 14.0 | -3.5 | -20.0% |
| Department of Veteran's Affairs | 16.2 | 13.4 | | -2.0 | 11.5 | 0.0 | 11.5 | -4.7 | -29.1% |
| All Other State Agencies & Programs | 124.6 | 79.6 | | -7.9 | 71.6 | 0.5 | 72.1 | -52.4 | -42.1% |
| Total | \$ 6,112.8 | \$ 5,768.3 | \$ -19.3 | \$ -564.4 | \$ 5,184.5 | \$ 581.4 | \$ 5,765.9 | \$ -346.9 | -5.7% |

Note: Numbers may not equal totals due to rounding.